

Resource Management



4th Quarter 2006



*The Army Financial Management Community welcomes
The Honorable Nelson M. Ford, Assistant Secretary
of the Army (Financial Management and Comptroller)*

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Iraqi Freedom's
Operations and
Sustainment:
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Resource Management

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"Professional Development"

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The Army Financial Management Community welcomes
The Honorable Nelson M. Ford, Assistant Secretary
of the Army (Financial Management and Comptroller)



The Army Financial Management Community welcomes the Honorable Nelson M. Ford, Assistant Secretary of the Army for Financial Management and Comptroller. Nelson Ford serves as the Assistant Secretary of the Army for Financial Management and Comptroller. His previous position was Principal Deputy Assistant Secretary of the Army for Financial Management and Comptroller. From 2002 through 2004, he was Deputy Assistant Secretary for Health Budgets and Financial Policy in the Department of Defense, where he was responsible for financial management, policy development and program evaluation for the Defense Health Program. Prior to returning to Federal service, Mr. Ford held senior management positions in academic medicine, medical manufacturing and health insurance. From 1997 to 2000, he was President and CEO of Clinipad, a manufacturer of disposable medical products. During the 1990's, he was Chief Operating Officer of Georgetown University Medical Center, with responsibility for Georgetown Hospital and financial oversight of faculty practice plans, research activities and the medical and nursing schools. Earlier in his career, Mr. Ford was a partner with Coopers & Lybrand, providing strategic and financial consulting services to a wide range of healthcare clients. During the 1970's, he was the Executive Secretary of the Health Care Financing Administration and worked on health policy matters in the Office of Management and Budget. He has served on many not-for-profit boards and advisory committees. Mr. Ford holds a bachelor's degree in history from Duke University, a master's in education from the University of Delaware and has completed additional professional training at the University of Pennsylvania. He lives in McLean, VA with his wife Cecilia. They have three grown children.



Resourcing Operation Iraqi Freedom's Operations and Sustainment Magnitude and Complexity!

by Colonel Thomas A. Horlander

Operation Iraqi Freedom (OIF) is undoubtedly the most complex and challenging fiscal environment in our Nation's military history. By its very nature as a full spectrum, contingency operation that concurrently transcends both the kinetic and non-kinetic fights from the tactical to strategic level of war, it is one of the most dynamic international security endeavors the United States (U.S.) Government has ever resourced. To have a full appreciation for the magnitude and complexity of resourcing Operation Iraqi Freedom from a "boots on the ground" perspective, we must first revisit our past as a nation and how we arrived at where we are today.

In the 20th Century, the survival of the United States rested upon its ability to defeat its enemy in a conventional force on force conflict and then later in a nuclear showdown. Success in both of these conflicts depended on formidable armed forces capable of massing overwhelming forces and firepower at a critical

place and time – in essence, having the ability to execute the Powell Doctrine. By comparison, this approach to warfare is simple to understand and prepare for. There were rules, a somewhat shared value of human life amongst the contenders and the looming threat of world devastation and destruction was the saving measure of restraint. The answer to victory was relatively simple - to achieve kinetic superiority that any potential adversary would not dare challenge. Over time, the country most capable of fielding and maintaining that overwhelming force and its ability to sustain it for a prolonged period of time would prevail as the victor.

For the past century, the distribution of the Federal budget was appropriate for the security threat that we faced in the post-WWII bipolar world where the super power with the most lethal armed forces would prevail and did. In 21st Century warfare, we know that this is not enough to protect our national security interests

and secure peace in the world. Much of the difficulty the United States (U.S.) Government is experiencing today in achieving strategic success in the Middle East is simply because it is not organized nor resourced to conduct full spectrum combat operations and nation building to the magnitude required in Iraq. This should not be surprising to anyone but it is fundamental to understanding the resourcing challenges the warfighter faces everyday on the ground in Iraq. The distribution of the Federal budget

during the last century manifests itself in full-spectrum capability voids at every level. Many try to explain this by stating that “the interagency process is broken” or “the U.S. Government remains a Cold War dinosaur.” The fact of the matter is, the U.S. Government was never organized nor resourced to do what we are asking of it today in the Global War on Terrorism (GWOT). And if America’s grand strategy in the Global War on Terrorism is to effectuate, together with its Allies, permanent change in the Middle East,

this must change. Fortunate for America, the U.S. Government can reengineer its organizations and systems that over time will allow it to protect its national interest and the American people in this new 21st Century warfare. The creation of the Department of Homeland Security is a perfect example of this flexibility. However, changes of this magnitude take years if not decades to realize their full benefits. Spending large sums of money in the short term is not enough; large bureaucratic organizations need years to mature before they can be effective. Over time, given the correct distribution of the Federal budget and focused investment in the lesser-resourced owners of the elements of national power, the United States will grow to be more effective and better prepared to fully address the full spectrum nature of the 21st Century threat.

As pictorially displayed in the chart below, the end product of our 20th Century Federal budget system is a disproportionate distribution of the discretionary budget into the military element of national power which far exceeds any investments the U.S. Government has made in the diplomatic, informational and economic elements of national power. With such a resourcing construct that has persisted throughout the last century, the challenge becomes making a military centric distribution of resources work in such a way that there is a more equal distribution across the other three elements of national power. This is absolutely not to suggest that the U.S. Government redirect some of the Defense budget to the other lesser-resourced owners of the other three elements of power, but increase its investment in them so that when they are called upon, they are able to fully contribute to the mission. This poses a series of hard choices for the U.S. Government ranging from marginalizing other Federal programs to raising taxes or increasing the national debt – neither of which are viable options during election years.

Inevitably, the burden of a mission such as OIF falls squarely on the shoulder of the Military Commander. One could debate otherwise but the reality is that the

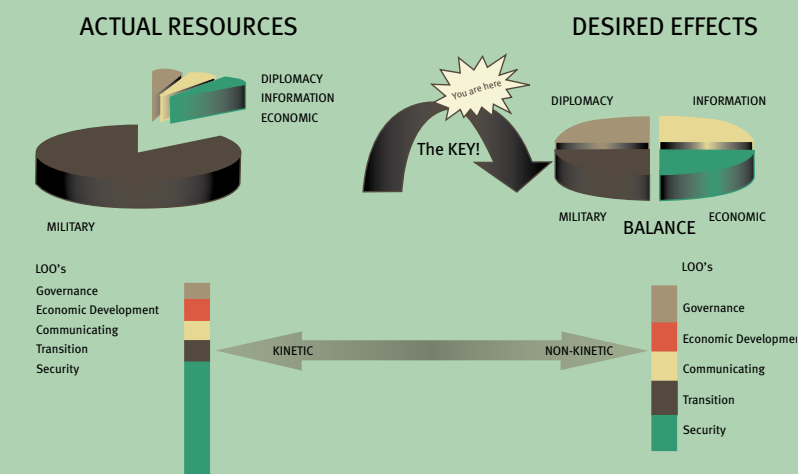
Multi National Corps - Iraq (MNC-I) CJ8: BUDGET BRIEFING

Funding Elements of National Power (EONP)

My Assertion: Turning battlefield victories into post-conflict strategic success is problematic because the U.S. Government is not organized nor resourced for post-conflict operations. Follow the money!

Results: Full Spectrum Capability Voids-Kinetic Supremacy; Soldier is the first line diplomat; Insufficient Information Operations; Unresourced Economic Development Enablers

Challenge: How do we distribute and channel the current distribution of national monetary resources to produce strategic effects across all the Lines of Operations (LOO's)?



Military Commander has the resources, organizational structure and established planning and operational capabilities in place, rendering him de-facto responsible for the operation. It did in post WWII Europe and the Pacific and it does in Operations Iraqi Freedom and Enduring Freedom. Today's OIF resourcing challenge is how to tailor this defense centric national resourcing construct so that the Commander can impact all five lines of operations (LOOs) – governance, economic development, communicating, transition and security. This is tantamount to success in OIF and subsequently GWOT! Coming from a Corps Comptroller, you may be asking what does this have to do with resourcing the operations and sustainment of Operation Iraqi Freedom at the boots on the ground level? This national level resourcing paradigm is what ultimately drives the Military Commander's resourcing decisions. Liken this to the computer operating software running in the background that allows your computer to run certain software programs but is limited when trying to operate the more complex automation programs. Military Commanders are resourced to have certain capabilities – primarily kinetic - and are not well-equipped to conduct full spectrum operations. In essence, he can't run all the complex programs he needs to operate in order to be successful in this full spectrum conflict. At the time, the Commander may not be making the connection between the United States national level resourcing paradigm and the resourcing decisions he is faced with, even though this is clearly a part of his problem set. Subsequently, his only alternative is to seek non-traditional sourcing solutions – one being the use of the Army's Operations and Maintenance Account (OMA) to source those full spectrum capability voids he must have to be effective, provided they fall within the confines of public law.

On the ground here in Iraq, this national-level resource distribution construct, firmly embedded in years of Cold War geopolitics and Super Power posturing, manifests itself in

Much of the difficulty the United States government is experiencing today in achieving strategic success in the Middle East is simply because we are not organized nor resourced to conduct full spectrum combat

an abundance of unique resourcing challenges that characterize the everyday Comptroller operations of the Multi National Corps-Iraq.

1. Requirements Generation – Ebb and Flow. Even though the United States is in its fourth year of Operation Iraqi Freedom, the belief that there is a normalized, steady state environment that would allow for the warfighter to articulate his total annual requirements could not be further from the truth. Daily, the OIF Operations and Sustainment requirements change. Commanders must make decisions based upon a variety of factors – many of them outside their span of control. The enemy gets a vote! This does not however preclude the need to try and generate an annual budgetary projection. It should however provide one with an appreciation for how frequently and unpredictably, the operational requirements can and do change. This manifests itself into an ebb and flow of budgetary requirements that can change the program's requirements by hundreds of millions of dollars with one or a series of operational decisions. The recent decision to extend a Stryker Brigade's deployment is projected to increase the Command's annual budget by \$80M - \$100M. Operation Iraqi Freedom is replete with examples of how the rapidly changing threat environment and those full-spectrum capability voids drive the Commander to make resource-intensive decisions across all the lines of operations to

source operations for which he had no visibility when the Command submitted its annual Command Operating Budget (COB).

2. Heavy Dependency on Contractors. It is an understatement to say that OIF is a heavily contracted operation. Well over half of what the MNC-I spends from its OMA account goes to pay contractors for goods provided and service performed. The largest contract by far, the Army's LOGCAP (Logistics Civil Augmentation Program) contract provides for the life support of over 130,000 U.S., coalition and civilian personnel serving in OIF and a variety of Corps Logistics Services Support and Troop Transportation Mission (CLSS/TTM) functions throughout Iraq. The magnitude and complexity of this contract alone requires a full complement of managers, accountants, auditors, etc...to ensure it provides the warfighter the support he requires in the most effective and efficient manner. The U.S. Army however, by design chose to depend on this large life support contract as it would prove to be less expensive when spread over a longer period of time when the operational tempo of the Army would ebb and flow between peace and small isolated conflicts to a full spectrum ground campaign. Other heavily contracted areas include new equipment fielding, sustainment and maintenance. Virtually every new system fielded by the U.S. Army is operated, serviced and maintained by a contracted workforce. Much of the Counter Improvised Explosive Devices fight and force protection operations today are sourced

with a contractor based workforce. While these can be considered military centric, several others heavily contracted efforts are clearly to compensate for the full-spectrum capability voids resulting from years of defense-centric Federal budgeting. Where this is most evident is in the areas of information operations, cultural advisors and C4I (Command, Control, Communications, Computers and Intelligence) operations, all sourced through a series of contracts that compensate for the absence of this capability in the uniformed ranks, civil service and the interagency.

3. **Contingency Operations Budgeting.** You have heard it said a hundred times. "You don't know what you don't know." Although an oversimplified statement when talking about contingency budgets, it is never more true than here in OIF. In Operation Iraqi Freedom, the Multi National Corps-Iraq is the Title X headquarters for the theater and as such, budgets for all military units using OMA funding to conduct their operations. This is virtually every military command located in Iraq. Resourcing contingency operations requires a more frequent budgeting cycle. MNC-I conducts a monthly budgeting cycle where units submit their requirements on a spend plan, and then funds are distributed and executed every thirty days. While this drill is manpower intensive, it is necessary to ensure that a unit is resourced for its immediate needs that are often not foreseeable even 20 – 30 days prior. While this process should not be attributed to full spectrum capability voids, many of the requirements that the commands are seeking to resource are meant to fill them.
4. **New System Fielding.** Operation Iraqi Freedom has seen the fielding of hundreds of new systems from the Add-On-Armor for wheeled vehicles and several Unmanned Aerial Vehicles (UAVs) and Intelligence, Surveillance and Reconnaissance (ISR) platforms to

the advanced combat helmet/modular integrated communication helmet (MICH) and Enhanced Small Arms Protective Inserts (E-SAPI) plates. Many of these systems were fielded through a rapid fielding initiative, partially tested, and certainly without any clear and mature idea as to what it would cost to sustain them. These unknowns equate to budgetary unpredictability at all levels. The lack of any historical data by which to cost out the operations and maintenance of these systems

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leaves Program Managers, and the field with some vast unknowns on how to accurately forecast the annual cost of operating these systems in combat.

5. **Personnel & Organizational Turbulence.** While this is not a Resource Management-specific problem, the personnel and unit turnovers in OIF cannot be discounted as not having a significant impact on the Command's resourcing operations. "TOA (Transition of Authority) Season" is a highly turbulent time for a Command at every level and from every angle. Because of the technical nature of Resource management, and most people's unfamiliarity with resourcing contingency operations in Operations Iraqi Freedom and sourcing

non-traditional military capabilities, comptroller personnel turnover is especially challenging. Comptrollers must conduct some deliberate planning and coordinating to facilitate a smooth handover of responsibilities while concurrently supporting the ongoing combat operations. A unit's TOA and/or frequent Worldwide Individual Augmentee System (WIAS) personnel turnover manifests themselves in a continuous steep learning curve, not like anything a Comptroller would experience at home station.

6. **Cash or No Deal.** The Iraqi banking industry is hamstrung with a history of distrust and oppression, adding an element of complexity to already complex business practices on the ground. Business transactions in Iraq are conducted on a cash basis with non U.S. vendors. There is no check cashing, use of a credit card or electronic transfer of funds when purchasing something from an Iraqi vendor. You either have U.S. dollars or Iraqi Dinar or you don't conduct business on the local economy; and for an Iraqi to have U.S. dollars in his shirt pocket could mean death if discovered by the wrong person. There is no central banking system per se. The Iraqi banking system was designed by the Sadaam Hussein regime to be this way as a mechanism of control over its people. This manifests itself not only in an incredibly inefficient way of doing business and providing for ample opportunities to "skim off the top" but ultimately in a lack of international commerce. International business men, wanting to do business with Iraqis must find innovative ways to exchange payments, often through other country's banks. This renders many fiscal initiatives that the U.S. considers routine, problematic in their implementation. For our soldiers on the ground, it has a host of implications, most evident in the requirement to transport large sums of cash around the battlefield.



7. Boots on the Ground – Daily Business.

Resource managers at the Division level and below face a completely different problem set than what they experience back at home station. Field Ordering Officers (FOOs), Project Purchasing Officers (PPOs), Pay Agents (PAs), warranted Contracting Officers (KOs), interpreters and cultural advisors are only a part of the daily challenges. All acquisitions and projects valued at greater than \$200K must be first staffed through one of MNC-I's Requirements Validation boards and then approved by the Corps Chief of Staff before it can be funded. Comptrollers primarily use OMA funding for their daily needs but several unique authorities and sources of funds [Rewards, Commanders Emergency Relief Program, Bulk funds, Detainee Release payments, Transition Team Integration Funds, Iraqi Security Force (Quick Reaction Force) Funds, etc...] are also used daily and add a complexity at the tactical level that cannot be experienced elsewhere. Tactical Comptrollers will quickly need to master the intricacies of the "fiscal triad" (Resource Managers, Finance Officers and Contracting Officers) to be effective in this maze of authorities and funding streams. The magnitude and complexity of this resourcing equation at the tactical level is unprecedented and is partially a byproduct of full spectrum capability shortfalls replete across OIF. To mitigate this, up-front and indepth training and study before deploying to Operation Iraqi Freedom is imperative.

Fundamentally, OIF Comptrollers should first understand how the historic distribution of the Federal budget resonates in their resourcing efforts on the ground in Iraq. This is the first step to appreciating why resourcing OIF is so challenging and getting past some of its frustrations. Comptrollers then can focus on learning the wealth of information that they will need to know to source the fight here in Iraq and then master the systems that allow them to manage that information. Much of this new information is about the systems, programs and resources in place to compensate for the full spectrum capability voids that characterize everyday OIF operations.

Fundamentally, the process of funding military operations remain relatively constant no matter where you go - formulate the warfighter's requirements, prioritize and defend them, fund and execute them and in a contingency environment, do all this simultaneously. This holds true in Iraq. The devil is still in the details and they are abundant in full spectrum warfare. Stick to the fundamentals; keep it simple; fully integrate the fiscal triad into everyday business processes and keep the fiscal law team within earshot, and it will not prove to be an insurmountable task but a rewarding one. If a deployed Comptroller is able to achieve an equilibrium of effort between knowledge and knowing how to operationalize that knowledge, he can overcome the complexity and magnitude of the challenges that await him here in Iraq and do what he was sent to do - resource the warfighter for full-spectrum warfare.

The list of challenges that a Comptroller should expect to face when deployed to Operation Iraqi Freedom is endless. It continues with new Commanders executing the fight differently, changing resourcing priorities, changing policies and leaders from the company up to the national level making decisions that ultimately impact the bottom line. What doesn't change is the truism that policies are not worth the paper they are written on if we are not able to resource them and many of these policies require a more balanced distribution of the discretionary Federal budget to truly make their intended impact. Herein lies the challenge for every deployed Comptroller in OIF - how to source the Warfighter when virtually no variable in the resourcing equation is static, predictability is impossible to achieve and the resource base upon which he relies was never organized nor resourced for full spectrum warfare.

About the Author:

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Developing Projects in Lean Six Sigma

By Ms. Shannon Merwin

Okay I have a project, what's next?

Projects are easy to identify in most areas. Our customers, our employees, and our peers often guide us to potential projects. One of the best ways to find projects is to create a prime value chain map that tracks beginning and end points of an area's overall process. It also identifies critical inputs, outputs, value add and non-value add process steps. While this seems like a large undertaking, it often gives a larger view of the processes at hand and how they relate to accomplishing the overall strategic goals. Selecting the right project can have a tremendous impact on your process and should tie directly into the overall strategy of the area.

What Method Best Fits a Project?

There are various tools that can be used to accomplish Lean Six Sigma (LSS) initiatives. As you can see from Figure 1, projects can be broken out into 'Quick Win,' Rapid Improvement Events (RIE), Lean, and Six Sigma. There is also integrated Lean Six Sigma* which combines the removal of non-value added process steps from the Lean perspective with the drive to make the process more precise from the Six Sigma standpoint.

Once a project has been identified, the project owner should ask, what type of LSS tool would yield the best results? Some projects may already have a clear path for a solution identified (Quick Wins), while others need to drive deeper for a solution (Six Sigma). Caution should be used if initiating a "Quick Win." "Quick Win" projects are best utilized when a solution to the problem has been clearly identified,

and there is a low risk associated with the change. Rapid Improvement Events (RIE), Lean and Six Sigma projects use a more in-depth technique to determine the best solution to a process. To utilize RIE, Lean, and Six Sigma tools to their fullest capability, larger projects should be scoped to create multiple smaller projects, and the projects should be prioritized by impact and relevance to the overall strategic goals. RIE, Lean, and Six Sigma projects should be completed in three to six months, and those that exceed six months should be re-evaluated for better definition.

Summary

Regardless of what tool is used in accomplishing a project, the deliverables of the project must be clearly defined and

linked to the overall leadership's mission. Projects should be driven using the top-down/ bottom-up theory with senior leadership supporting the projects while Black Belts and Green Belts guide projects to completion. Large projects, should be scaled down into multi-generational projects so they remain manageable and can be completed in a timely manner. Projects should also drive to the bottom line and improve upon time, quality and cost while looking at integrating knowledge about customer needs (voice of the customer), Army needs and market forces. For assistance in developing projects in your area, contact your Deployment Advisor or Deployment Director.

*Note: Six Sigma will eliminate defects but it will not address the question of how to optimize process flow; and the Lean principles exclude the advanced statistical tools often required to achieve the process capabilities needed to be truly 'lean'.

About the Author

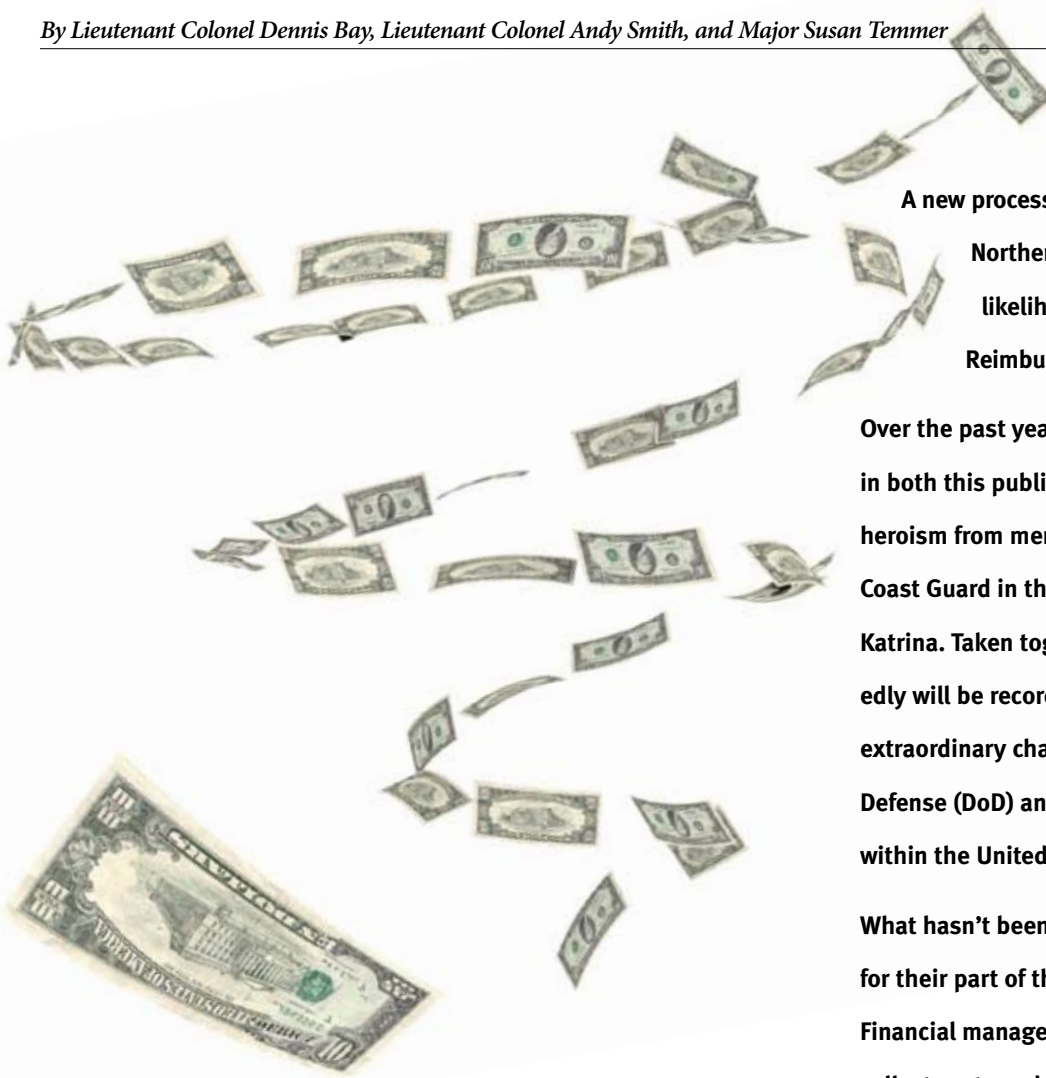
Ms. Shannon Merwin is a Program Analyst contractor with Dynetics Inc. in the Office of the Assistant Secretary of the Army (Financial Management and Comptroller).

Figure 1: Types of Lean Six Sigma Initiatives

	QUICK WIN	RAPID IMPROVEMENT EVENT (RIE)	LEAN	SIX SIGMA
TOOLS	<ul style="list-style-type: none"> Quick Strike Bypass formal DMAIC process 	<ul style="list-style-type: none"> Quick Strike 1-6 days Process Mapping Cause & Effect 	<ul style="list-style-type: none"> One piece flow Cells Visual Controls Pull Systems Kanban Set up Production TPM 	<ul style="list-style-type: none"> DMAIC Process Statistical Tools Value Stream Mapping PFMEA C_p C_{pk} Gage R&R ANOVA, Hypothesis Tests, DOE, Optimization
FOCUS ON IMPROVEMENT	<ul style="list-style-type: none"> Solution Clearly Defined & Developed Quick Implementation Low Risk Minimal or No Capital Expenditures 	<ul style="list-style-type: none"> Quick Strike 1-6 days Process Mapping vCause & Effect 	<ul style="list-style-type: none"> Waste, Non Value Add Speed, Cycle Time Standardization Inventory Performance Variance Reduction 	<ul style="list-style-type: none"> Complex Problems Variation Reduction Defect Prevention Stability Predictability Design Excellence

The Next Hurricane Katrina: A New Process for Reimbursement

By Lieutenant Colonel Dennis Bay, Lieutenant Colonel Andy Smith, and Major Susan Temmer



A new process created by the United States Northern Command should increase the likelihood of control and distribution of Reimbursable Budget Authority (RBA).

Over the past year, many articles have been written, in both this publication and others, depicting the heroism from members of each military service and Coast Guard in the operations following Hurricane Katrina. Taken together, these operations undoubtedly will be recorded in history as one of the most extraordinary challenges facing Department of Defense (DoD) and Coast Guard forces operating within the United States.

What hasn't been told is how reimbursing units for their part of this event is still continuing today. Financial managers in DoD continue their efforts to collect costs and process reimbursements through the Federal Emergency Management Agency (FEMA) almost a year after Hurricane Katrina brought devastation to the Gulf region.



Financial personnel at the United States Northern Command (USNORTHCOM) have been involved heavily in helping DoD activities seek reimbursement for operations during Hurricane Katrina. Out of these efforts was born a Concept of Operations (CONOPS) designed to assist in obtaining, tracking and monitoring RBA, and ultimately reimbursement for such operations (which are known formally as Defense Support of Civil Authorities (DSCA). This article provides a brief description of the new DSCA financial management process.

Birth of the DSCA Financial Management Process

In the aftermath of Hurricane Katrina, USNORTHCOM financial personnel were involved heavily in supporting DoD units, helping them to link their performance

to FEMA mission assignments and clear the path to reimbursement for associated outlays. We saw firsthand the need to develop a process that would alleviate many of the headaches that financial managers were experiencing while determining how much they would be reimbursed and how to get those funds restored to their activities. In addition to our firsthand experience, we scoured numerous audit reports, after-action reports, and lessons learned. With all this in mind, we set out to turn “lessons observed” into “lessons learned,” thereby ensuring that the DoD financial management community did not make the same mistakes in future DSCA events.

How did we accomplish this task? A small team of USNORTHCOM financial managers formed to “work” DSCA-related issues. First, we organized and hosted a DSCA financial workshop in March 2006. Attendees included more than 50 personnel from across the Department. The discussions and recommendations captured during the workshop were briefed to Ms. Teresa McKay, then-Deputy Chief Financial Officer, Office of the Under Secretary of Defense (Comptroller). She, in turn, tasked us to develop a new process for use during the upcoming hurricane season.

An iterative development process followed, resulting in a revised process documented in a CONOPS dated 1 Jun 06. USNORTHCOM received direction to oversee and conduct a beta test of the process for the 2006 hurricane season.

Who Does What?

This DSCA financial management process seeks to suballocate and track the RBA provided by a Primary Federal Agency (PFA)—such as FEMA—to compensate DoD for its support. This process does not apply to direct budget authority. The PFA request can be made under the authority of either the Economy Act or the Stafford Act.

Two teams will manage this process: a Financial Management Oversight (FMO) Team and a Financial Management Augmentation Team (FMAT). The FMO Team (to be determined by the Office of the Secretary of Defense) will guide the FMAT and provide senior leader updates and reports. The FMAT will suballocate, track, and adjust RBA destined for DoD units tasked to provide mission support. The military services still must collect cost information, bill a PFA such as FEMA, and provide reports. For DSCA missions during 2006 and 2007, the USNORTHCOM Comptroller will act as the FMO and provide oversight to the FMAT.

In June 2006, all DoD services and major Defense agencies were tasked to identify representatives to serve as members of the FMAT. These members serve as the primary liaison between the FMO Team, the Defense Coordinating Officer/Element (DCO/E, Figure 1), and units performing missions under the orders of a PFA. The FMAT will ensure that participating DoD components have issued appropriate guidance for accounting code structures, reimbursable guidance, and other requirements. The FMAT also must ensure that all requirements for RBA are identified immediately, with follow-through provided until completion of the operational and fiscal mission.

The FMAT may colocate at USNORTHCOM headquarters during major crises but may operate from

members' home stations (in a virtual manner) during smaller contingencies. What constitutes major versus minor crises still needs to be worked out; however, it is a safe bet that FMAT members will deploy if there is a projected landfall of a Category 3 or higher hurricane. During such an event, the FMAT has a high probability of standing up at USNORTHCOM headquarters or other locations as designated by USNORTHCOM.

Four Subprocesses

There are four subprocesses in this newly developed and still untested DSCA financial management process:

- Activate Financial Management Augmentation Team or FMAT
- Distribute RBA
- Monitor RBA
- Conduct fiscal closure

Figure 1 provides an operational view of the DSCA financial management process.

Subprocess 1—Activate Financial Management Augmentation Team

To determine if the FMAT should be activated, three elements should exist: a request or an order from a PFA, (Figure 1), such as FEMA; an execution order or deployment order from USNORTHCOM; and approval for reimbursement. (There are occasions where reimbursement is waived, in which case there would be no need to activate the FMAT.)

Once the three elements are in place, Subprocess 1.0 may begin. At this time, the size, location, and estimated duration of the FMAT will be decided based on the event and its anticipated magnitude. This decision will be made after collaboration between the FMO, the Defense coordinating officer, and the U.S. Army North's Deputy Chief of Staff for Resource Management (ARNORTH G8—USNORTHCOM's Army component). To provide a scalable financial management response to the event, there are several criteria that must be considered. These criteria will define the makeup of the

FMAT and may result in different FMAT structures, depending on the nature of the event and the financial management support required.

Funding language in the USNORTHCOM execution order directs the financial management point of contact for tasked units to contact the FMAT for RBA, (Figure 1). The FMAT will issue reimbursable authority based on a validated/approved request. Once approved, the unit will load the reimbursable authority into its service's financial management system. The goal is to ensure that RBA, is suballocated according to tasks assigned in a deployment order.

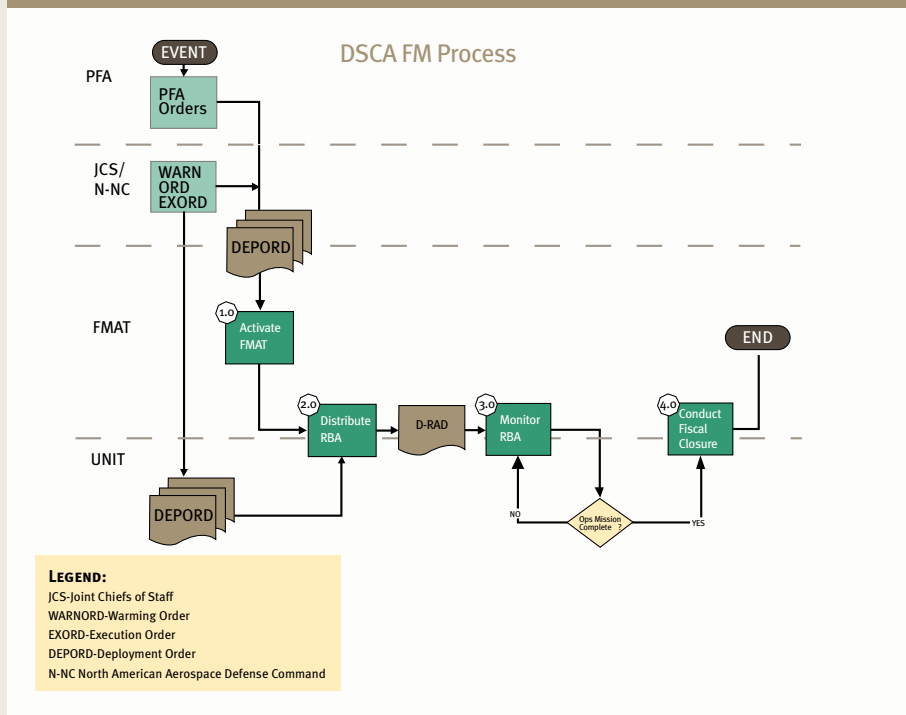
Note that each DoD component determines the definition of a "unit" for FMAT purposes. This definition will be known in advance to assist the FMAT in the suballocation process. The unit contact should be the person or organization that has fiscal responsibility for the unit.

Subprocess 2.0—Distribute Reimbursable Budget Authority

Once tasked, the unit will contact the FMAT in accordance with the funding guidance in the USNORTHCOM execution order. The unit will report various data including requesting unit information (name, address, phone and fax numbers, e-mail address); contact information for the financial management point of contact; date/time/group of the deployment order; and the cost estimate for tasking. The unit also will report the PFA's mission assignment or number as identified in the deployment order as the funding authority for the tasking. The FMAT receives the request and documents the information.

When a tasked unit submits a request for RBA, the FMAT will assess the request. If the request is valid and sufficient funding remains available on the PFA's mission assignment or order, the FMAT will approve the request and issue reimbursable authority on a DSCA Reimbursable Authority Document (D-RAD, Figure 1). Use of this document precludes the confusion that was identified as a major problem last year when, for example, five units were assigned to a

Figure 1. Operational View of the DSCA Financial Management Process





mission assignment code containing \$1 million in funding, and all five units assumed they each had \$1 million to spend. This new document should make clear who is using the mission assignment code and how much is allocated to each performing unit.

After the unit receives the D-RAD tasking document, it will load the RBA into the respective service's financial management system using its standard procedures for funds control and event-specific financial coding. For example, in the Air Force, RBA requires that a sales code and a job order number be loaded to identify the authority as associated with a particular PFA. DoD components should provide procedural guidance prior to the event.

Subprocess 3.0—Monitor Reimbursable Budget Authority

Once the RBA has been issued to the unit and loaded into the appropriate financial system, the new DSCA financial management process moves into the monitoring phase. Under Subprocess 3.0, units monitor the RBA until all reimbursements are received and reported. The unit continually reviews actual expenses in light of remaining or anticipated expenses for each assigned task and compares them to the amount issued on the D-RAD tasking document

that contained the authority. When appropriate, the unit either requests an adjustment to the reimbursable authority or provides a weekly update of its status. The FMAT assesses the reports or requests and determines whether to adjust the reimbursable authority or seek additional funds from the PFA. At the end of Subprocess 3.0, the operational mission should be complete.

Subprocess 4.0—Fiscal Closure

Subprocess 4.0 begins when the tasked unit determines that the PFA-directed mission has been completed (that is, all personnel and equipment have returned home). In Subprocess 4.0, units determine final estimates of expenses, properly complete the billing process, and close all orders from the PFA.

Tasked units provide their final reimbursable status to the FMAT. The FMAT uses the unit's final estimate to determine if an adjustment to the RBA is needed.

Units will use the following inputs to complete the billing process: applicable guidance from their component, guidance from DoD or the Defense Finance and Accounting Service (DFAS), guidance from the PFA, and supporting documentation as required by billing instructions. After preparing bills, units will submit billing documents and supporting documents as

prescribed. After DFAS processes the bill and the PFA accepts it, units will complete a closure certification form and provide this form to the FMAT.

The FMAT will use the closure certification forms from tasked units to verify that the PFA's order can be closed and make necessary annotations in control log and related files. Ultimately, the FMAT will contact the Defense Coordinating Officer to coordinate closure of the PFA's order.

Benefits of the New Process

The 2006 hurricane season provides the beta test for this new process. After the season—and associated adjustments based on lessons learned—we believe that the new process will have produced a much-improved system for tracking DSCA-related RBA and associated transactions. Additionally, we expect that this new process and the up-front investment of resources (in the form of FMO and FMAT members) will eliminate the need to establish ad hoc organizations like FM Katrina. The new process also should reduce the use of direct dollars to finance reimbursable DSCA missions.

About the Author:

Lieutenant Colonel Dennis Bay, Lieutenant Colonel Andy Smith, and Major Susan Temmer are Budget Analysts assigned to NORAD-USNORTHCOM/J8.

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FEDERAL EMPLOYEE or CONTRACTOR EMPLOYEE?

by Mr. Matt Reres

How the law distinguishes between the two . . . and why that distinction is important to you!



Federal law provides a number of tests that distinguish between employees and contractors. As the proportion of contractors in the Federal workplace grows and the jobs done by Federal employees and contractors sometimes merge, it becomes critical to make the correct distinction. If you err, you may cause major problems for yourself and your organization.

Reasons for the Growth in the Number of Contractor Employees

“Doing more with less!” This is the proverbial mantra of each elected administration, especially in presidential election years. Achieving this stated goal often compels an administration to reduce the number of government employees by whatever means is most readily available: hiring freezes, buyouts, competitive sourcing, and other techniques. Each approach has made its rounds, and each has enjoyed a measure of success.

Yet, at the same time, as the number of civil servants in the Department of Defense has declined, the duties performed by these government employees have usually expanded. Moreover, paralleling the decline in the numbers of civil servants has been the steady migration of military personnel to more traditional military duties. With fewer

hands to perform the duties generated by each new law and policy, other personnel resources have arisen to fill the expanding void caused by the disappearance of civil servants and the reassignment of military personnel. The source is primarily from the private sector, that is, contractor employees in the Federal workplace.

The number of contractor employees working in the Federal workplace has grown exponentially over the last decade. This phenomenon has provided exploding employment opportunities for both younger workers as well as retirees from civil service and military workforces. No one is surprised today that during one pay period, civil servants or military personnel are serving in mufti or in uniform and, in the next pay period, are contractor employees who often return to their former positions and perform identical duties in the same manner as they did before they “retired.”

Federal Employee or Contractor: A Key Distinction

Although nothing may seem to have changed during such transitions, in fact, a tectonic shift has occurred. The fundamental difference is that the allegiance of the employee has swung from the United States of America to that of a business interest.

All military personnel and civil servants swear an Oath of Allegiance to the United States before they undertake the duties of their positions. On the other hand, employees who work for a business firm give their allegiance to that business—and the primary purpose of a business is to produce a profit. While it is entirely appropriate for a business to seek a profit, that goal is far removed from the purposes of government.

Central to the difference between public and private sectors is the approach that Federal workers must employ with respect to their official duties. This is contrasted with employees from the private sector, whose motivations is vastly different. Before government employees may act, they first must identify the legal authority for their actions, and they must do this before they take action. It is their oath to the United States that compels this

requirement to identify the legal basis for what they do each and every time. On the other hand, the employee of a contractor has no such duty; rather, a contractor employee must ascertain only that whatever is undertaken violates no legal prohibition or restriction.

The distance between these two approaches can be measured only in light years. To suppose that there is no real difference, that the distinction between a Federal employee and a contractor employee is only marginal, is to suggest that infusing Type B negative blood into a person with Type A positive blood will have no deleterious consequences, when, in fact, it is fatal.

Although some contractor employees in the Federal workplace present no issues to the Federal government, others who work in the Federal workplace are cause for concern. While there may be no issue with those contractors who perform custodial, clerical, maintenance, food service, and construction duties, there are major issues with any contractor employees who are placed in positions of responsibility where they may give direction or assign tasks to Federal employees. There is also an issue for the Federal government and its supervisors in directing, controlling, and supervising contractor employees in the Federal workplace.

The reason for a lack of concern with respect to the former type of contractor employees is that their performance of contractual duties is of a nonpersonal services nature. Cause for concern with respect to the latter type of contractor employees is that their performance of contractual duties may involve personal services, thus giving rise to personnel, fiscal, and ethics issues that are discussed in greater detail later in this article.

How to Distinguish

The status of a nonFederal worker sitting next to you should never be determined by his or her title alone. Administrative boards and Federal courts usually ignore labels, focusing

instead on the facts and circumstances of each situation. These boards and courts analyze specific characteristics—such as behavioral and financial control and the relationship between the employer and the individual performing the services—before making a determination whether the individual is classified as an employee or as an independent contractor under common law rules.

Because of the tax implications inherent in the distinction between an employee and an employee of an independent contractor, the Internal Revenue Service (IRS) issues many of the regulations that govern the decision—employee or independent contractor. In the past, the IRS has employed a list of 20 factors. (For a more complete treatment of this and other topics, please refer to the article on the ASMC Web site—www.asmconline.org/Armed Forces Comptroller/current issue highlights.) Recently, however, the IRS has increasingly employed three key factors in determining whether an individual is an employee or an independent contractor.

Behavioral Control

Does the government have the right to direct or control how the worker does the work? A worker is likely to be deemed a Federal employee when the Federal government has the right to direct and control the worker. If, for example, an individual receives extensive instructions from the Federal government on how work is to be done, this suggests that the individual may be acting as a Federal employee. Also, if the Federal government provides the individual with training about required procedures and methods, this suggests that the Federal government wants the work done in a certain way and, consequently, the individual may be deemed an employee.

Financial Control

Is there a right to direct or control the resourcing aspect of the work? For example, if the individual has made a significant investment in tools or other aspects of the work, then an independent contractor

status may exist. While there is no precise dollar test, the amount of dollars invested must have some significance, although a significant investment alone is unnecessary to establish an independent contractor status. Also, if the Federal government refuses to reimburse a worker for some or all of his or her business expenses, then the worker may be an independent contractor, especially if the unreimbursed business expenses are significant. Finally, if the individual worker realizes a profit or incurs a loss, this suggests that he or she may be in business for himself or herself and, thus, may be an independent contractor.

Relationship of the Parties

How do the Federal government and the individual worker perceive their relationship? For example, if individual workers receive benefits, this is an indication that they are employees. If, however, they receive no benefits, they could be considered either as Federal employees or as employees of an independent contractor. A written contract may also indicate what the individual and the Federal government intend. The existence of a contract may be critical, particularly if it is difficult, or impossible, to determine status based on other facts.

For a Federal supervisor attempting to distinguish between a Federal employee and an independent contractor, the list of four questions contained in the accompanying sidebar provides a guide. If the answer to any of the four questions is Yes, then the individual providing the service in question most likely could be classified as an employee of the Federal government. If the answers to all four questions are No, then an independent contractor relationship may be established.

Why the Distinction Matters

There are many reasons why it is important to determine whether an individual is acting as an employee of an independent contractor or as a Federal employee. Included are Antideficiency Act (ADA) implications, benefits and tax

Questions that determine whether an individual is a Federal employee or a contractor employee:

Does this individual provide essentially the same service as an employee of the Federal government?

Has an individual previously been paid as a Federal government employee to perform essentially the same tasks?

Does the Federal government exercise control in establishing how the individual will perform or accomplish the service?

Will the individual supervise or direct Federal government employees as part of the service provided?

consequences, and the nature of restrictions on individual behavior in the workplace.

ADA Implications

One of the ADA statutes prohibits acceptance of personal services except when specifically authorized by law. For that reason, acceptance of unauthorized personal services from a contractor employee could result in an ADA violation, if determined under a formal investigation.

Benefits and Tax Consequences

Proper classification is important because, if the veil of independent contractor status is pierced and an administrative or judicial determination is made that the contractor employees in fact are Federal employees, such a determination may allow for these individuals to recover some of the plethora of benefits available to Federal employees that had been denied them during the entire period during which they were misclassified. Considering the burgeoning number of contractor employees in the



workplace, the costs to agencies that misclassify contractor employees could be massive.

Also, as soon as an employer-employee relationship is established—and unless otherwise exempt under law—the Federal government is required to withhold certain deductions from its employees' salaries and wages. If, however, the individual is classified as an employee of an independent contractor, the Federal government has no



responsibility for withholding income and employment taxes; that duty falls to the independent contractor. Even so, the Federal government is responsible for reporting to the IRS on compensation over \$600 paid to individuals who are classified as employees of independent contractors on Form 1099-MISC, Miscellaneous Income.

In theory, the IRS may assess penalties for misclassification of an individual providing service to the Federal government. However, liability for Federal employment taxes may be relieved under some circumstances. (See the complete article on the ASMC Web site for more details.)

Restrictions on Conduct

The law imposes a series of restrictions on the workplace conduct of both Federal employees and independent contractors. Misclassification—classifying an individual as a contractor employee rather than a

Federal employee—may cause an individual to violate some of these restrictions. These restrictions are discussed in more detail in the complete article on the ASMC Web site, to include the legal citations. A brief list of these restrictions includes the following:

- Acceptance of gifts: Federal employees face strict limits on gifts they may receive.
- Post-government employment restrictions: Federal employees have limits on work they may accept after leaving Federal service.
- Inherently governmental functions: Certain functions may be performed only by Federal employees.
- Civil service laws apply to Federal employees but never to contractor employees.
- Awards: Monetary and nonmonetary awards may be given to Federal employees, within established limits, but there is

no provision to give awards directly to contractor employees.

- Conflicts of interest: Many rules apply to Federal employees.

What You Should Do

If you supervise contractor personnel, this article may have raised questions about the status of the individuals who work for you. If you wish, you can seek guidance from the IRS. If an individual believes that the Federal government has made an inappropriate determination, he or she may submit to the IRS a Form SS-8, Determination of Employee Work Status for Purposes of Federal Employment Taxes and Income Tax Withholding. During the pendency of the IRS's determination (which, the IRS notes in Form SS-8 instructions, may require approximately four months), the individual provider should be paid as an employee. If the IRS determines the correct classification to be an independent contractor, then the taxes withheld will be remitted to the individual.

While you can seek IRS guidance, you first should speak to your local legal counsel regarding the status of those who work for you. Together, you and your counsel may be able to arrive at a proper classification. You also may want to change some of your personnel policies in order to arrive at the desired classification.

Whatever you do, the author hopes that this article has convinced you of one thing. The difference between a Federal employee and a contractor employee constitutes a distinction that makes a difference!

Remember: The essence of clear thinking is making the right distinctions.

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Contractor Employees

in the Federal Workplace Part 2

by Mr. Matt Reres

This final section highlights specific citations and authorities regarding contract employees in Federal workplaces. Part one of the article appeared in the 3rd Quarter 2006 publication of Resource Management and can be found at <http://www.asafm.army.mil/proponency/rm-mag/rm.asp>.

Inappropriate Conduct by Government Employees—Contractors in the Federal Workplace

Gifts/Bribery/Illegal Gratuities	
Contractor gives gift with fair market value over \$20 to Government employee.	5 Code of Federal Regulations (CFR) 2635.202(a)(1) General prohibition on gifts from a prohibited source
Government employee solicits from a contractor employee	5 CFR 2635.202(a)(1) Prohibition on soliciting
Government employee reveals bid or proposal information, or source selection information to contractor employee.	41 USC 423 (Procurement Integrity Act)
Government employee reveals information to contractor employee that should be withheld from the public under the Freedom of Information Act	Freedom of Information Act. Exemption 4 (5 USC 552(b)(4))
Government employee reveals personal information to contractor employee in violation of Privacy Act	5 USC 552a. Privacy Act.
Government employee gives contractor employee nonpublic information, which contractor employee uses for private purposes	5 CFR 2635.703(a) Use of Nonpublic Information. Prohibits improper use of nonpublic information
Government employee reveals inside information to a contractor employee	5 CFR 2635.101(b)(8) No preferential treatment.

Post Government Employment Prohibitions	
Former government employee communicates with government employee on a matter in which he or she was personally and substantially involved 18 USC 207	Representational prohibitions on Former Government Personnel.
5 CFR 2637	Regulations concerning post employment conflict of interest. Implements 18 USC 207.
18 USC 207(a)(i)	Lifetime representational prohibition, implemented by 5 CFR 2637.201.
18 USC 207(a)(ii)	Two-year representational prohibition, implemented by 5 CFR 2637.202 and 203.
18 USC 207(c)	One year representational prohibition on general officers and members of the Senior Executive Service, implemented by 5 CFR 2637.204.
41 USC 423(c).	Procurement Integrity Act. Mandatory reporting requirement of certain employment contacts. Implemented by FAR 3.104-3(c) and 3.104-5.
41 USC 423 (d)	Procurement Integrity Act. One year ban on certain personnel accepting compensation from a source awarded a contract. See also FAR 3.104-3(d).
18 USC 205	Prohibits Current Government Personnel from acting as an agent or attorney before federal agencies. Applies during periods of transition or terminal leave.
18 USC 203	Prohibits compensation for services before government agencies. Applies during periods of transition or terminal leave.
5 CFR 2635.601-606	Disqualification required if seeking employment.

Personal Services Contracts and Related Matters	
FAR 37.104	Personal Services Contracts. Prohibits personal services contracts unless specifically authorized by statute. Includes Pellerzi standards at FAR 37.104(d).
FAR 7.5.	Inherently governmental functions. At FAR 7.503, prohibits the use of contractors to perform inherently governmental functions.
FAR 37.114	Generally requires all contractor employees attending meetings, answering DOD telephones, etc. to identify themselves as such.
OMB Circular A-76 (Revised)	Defines Inherently Governmental activities.
Office of Federal Procurement Policy (OFPP) Policy Letter 92-1	Defines Inherently Governmental Functions. Rescinded by OMB Circular A-76 (Revised), but is still cited at FAR 7.500 (inherently governmental functions).
FAR 37.104(d) (Pellerzi standards)	The elements of the Pellerzi standards govern whether an employer-employee relationship exists. Incorporated at FAR 37.104(d).

Contractor Conduct and Government Employee Conduct in General

DFARS 203.70	DFARS 203.70 Contractor Standards of Conduct. Requires government contractors to conduct themselves with the highest degree of integrity and honesty.
31 USC 3729-3731	False Claims Act
5 USC 2101-9904	Government Employees. Civil Service Laws, which govern federal civil service employees, but do not apply to contract employees. Employee is defined at 5 USC 2105. These laws govern pay, leave, etc.
FAR 3.101.	FAR 3.101. General statement on Standards of Conduct. Requires government business be conducted in a manner above reproach, and, except as authorized by statute or regulation, with complete impartiality and with preferential treatment for none. States that the general rule is to avoid strictly any conflict of interest or even the appearance of a conflict of interest in Government-contractor relationships.

Awards

5 USC 4501-4506	Civilian Employee Incentive Awards. Never Apply to Contractors. Implemented in the Army by AR 672-20. DoD 1400.25-M, Subchapter. 451, App 1 and 2, and AR 672-20 do permit a few awards for contractors. These should always be coordinated with the contracting officer.
10 USC 1125	Military Awards. Never apply to contractor employees. Implemented in the Army by AR 600-8-22.
5 USC 2101-9904	Government Employees. Civil Service Laws, which govern federal civil service employees, never apply to contract employees. Employee is defined at 5 USC 2105. These laws govern pay, leave, etc.
DA Memo 600-70, 11 FEB 04	Prohibits coins purchased with appropriated funds from being awarded to contractor personnel.

Conflicts of Interest/Appearances of a Conflict of Interest/Organizational Conflicts of Interest

18 USC 208	Federal conflict of interest statute.
5 CFR 2635.402	Federal conflict of interest regulation. Implements 18 USC 208.
5 CFR 2635.101(b)(2)	2nd principle. Employees shall not hold financial interests that conflict with their duties. See also Executive Order 12674.
5 CFR 2635.502	Personal and business relationships. Impartiality rule, also known as appearances of a conflict of interest. Employees should not work on a particular matter if a reasonable person who is aware of the circumstances would question their ability to be impartial in the matter.
5 CFR 2635.101(b)(14)	Employees shall endeavor to avoid actions creating the appearance that they are violating the law or ethical standards in 5 CFR 2635. See also Executive Order 12674, fourteenth principle.
FAR 9.5	Organizational and Consultant Conflicts of Interest. Organizational conflicts of interest are defined at FAR 2.101.

Common Law Principles, Employee or Independent Contractor Relationship	
<p>E.g., <i>Corban v Skelly Oil Co. (Court of Appeals (CA) 5 Miss) 256 F2d 775, 9 OGR 663;</i> <i>Buchanan v United States (CA8 Minnesota) 305 F2d 738; Kippen v Jewkes (CA10 Utah) 258 F2d 869; Stewart v Midani (ND Georgia) 525 F Supp 843;</i> <i>Lewis v New Jersey, 170 Arizona 384, 825 P2d 5, 106 Arizona Adv Rep 22; Santiago v Phoenix Newspapers, 164 Arizona 505, 794 P2d 138, 64 Arizona Adv Rep 20;</i> <i>Moore v Long Bell Lumber Co., 228 Arkansas 345, 307 SW2d 533; Parker Stave Co. v Hines, 209 Ark 438, 190 SW2d 620</i></p>	<p>Generally, the alleged employer's right to control the employee's conduct is the key element in the determination of whether there is an employment relationship.</p> <p>The most important test in determining whether a person employed to do certain work is an independent contractor or a mere servant or employee is the control over the work reserved by the employer.</p> <p>The employer's power of control over the contractor may be determinative, or may simply be one of many relatively equal factors that a court must examine to determine the nature of the employment relationship.</p> <p>Broadly stated, a contractor who is under the control of the employer is a servant, while one who is not under such control is an independent contractor.</p>
<p>E.g., <i>Osner v Boughner, 180 Michigan App 248, 446 NW2d 873, appeal granted, in part 435 Michigan 861, 457 NW2d 344, vacated, appeal 437 Michigan 955, 467 NW2d 592, reconsideration denied (Michigan) 1991 Mich LEXIS 996.</i></p>	<p>Under the 'economic reality' test, which examines the totality of the circumstances surrounding the alleged employment, no single factor conclusively establishes the existence or absence of an employer-employee relationship.</p>
<p>E.g., <i>Santiago v Phoenix Newspapers, 164 Arizona 505, 794 P2d 138, 64 Arizona Adv Rep 20; Weisman v Blue Shield of California (4th Dist) 163 California App 3d 61, 209 California Reporter 169; Blankenship v Kootenai County, 125 Idaho 101, 867 P2d 975; Trinity Lutheran Church, Inc. v Miller (Indiana App) 451 NE2d 1099; Richardson v APAC-Mississippi (Miss) 631 So 2d 143.</i></p>	<p>An employee is normally defined as a person in the service of another under a contract of hire, which may be express, implied, oral, or written, and which gives the employer the right to control and direct the person in the material details of how the work is to be performed. (Contract of hire is not to be confused with independent contractor relationship.)</p>

Note: Cases quoted arise in a commercial business context, as distinguished from cases which arise in a Federal civil service context.

The author acknowledges the invaluable assistance of Mr. Arthur Kaff, Army Standards of Conduct Office, in compiling the above citations and authorities.

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CAPABILITIES-BASED COSTING

Approaches to Pre-Milestone-A Cost Estimating

by Ms. Martha Roper

Abstract

The issue of early, rigorous evaluation of program costs is becoming more important as defense funding comes under greater scrutiny. Often at this point in the life cycle, a requirement or desired capability is known, but the manifestation of the solution is unknown or described only at a high level. Can capabilities alone be used to produce a cost estimate? If so, how can we link the proposed solution to existing systems if only a particular solution's general capability set is known?

This work submits that better strategic decisions within fiscal constraints could be made if Rough Order of Magnitude (ROM) estimates were available for proposed materiel or non-materiel solutions, based on that solution's capability set. This project further proposes the use of a knowledge base to provide support for these estimates; it is known as the joint Capabilities Knowledge Base (CKB). By using the relevant entities extracted from CKB, a ROM cost estimate may be developed using a wide spectrum of techniques.

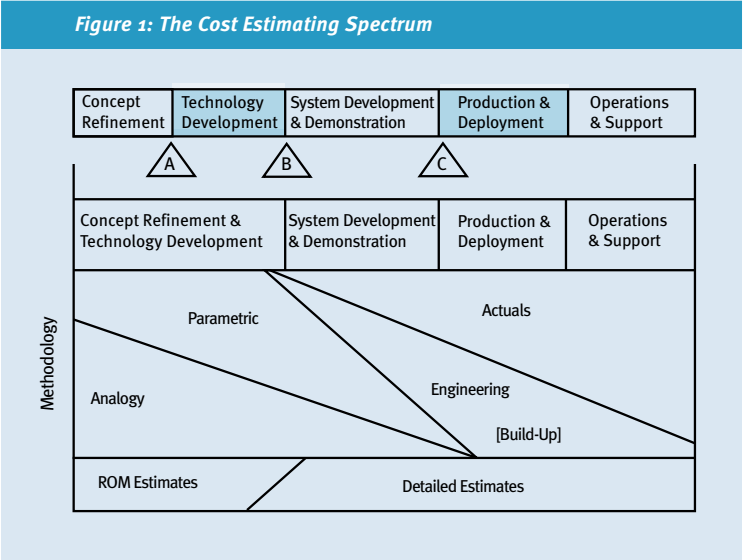
According to Department of Defense (DoD) guidance dated June 19, 2006, the 2006 Quadrennial Defense Review (QDR) report called upon senior departmental leaders to "better integrate the processes that define

needed capabilities, identify solutions and allocate resources to acquire them in order to enable corporate decision-making that cuts across traditional stovepipes". In response to this directive, DoD leaders are evaluating a new early lifecycle decision-making framework that includes a Concept Decision (CD) Review (supported by an Evaluation of Alternatives or EoA). The CD Process has been set forth as a way to combine requirements, capabilities portfolio evaluation, and resource allocation considerations in the pursuit of joint, efficient, and well-informed decision-making early in the acquisition life cycle. The Concept Decision will either replace or occur in conjunction with Milestone A to decide which of the prospective solutions provided by the EoA will best enhance overall United States defense capability while balancing priorities of cost, schedule, and risk management.

The issue of early and rigorous evaluation of program costs becomes more important as defense funding is scrutinized. Clearly, decision-makers need high-fidelity cost information at this key decision point, but more often than not, it is scant. Providing reliable, useful cost estimates early in the acquisition life cycle is challenging for several reasons. Often at this point in the life cycle, a requirement or desired capability is known, but the manifestation of the solution is unknown or described only at a high level. This is certainly a challenge, given that defense cost estimating is usually performed given a detailed system description. Given the changing face of the battlefield and warfare, proposed solutions are often unlike anything presently in existence.

As any cost estimator can confirm, there exists a spectrum of situations in which a cost estimate may be prepared. One theoretic extreme is creating a cost estimate in a situation where there is very little information about the item being estimated and no supporting data. The other extreme is when the entity being estimated is fully understood, and all data exists to estimate the cost exactly. In this case, the data are actual costs after the item has been developed, constructed, or bought. Figure 1 illustrates these extremes along with all points in between.

Figure 1: The Cost Estimating Spectrum



As we progress from the point of no information to the point of perfect information, our cost estimating methodology changes to suit the information climate. For instance, when information about the item or service is higher-level and/or data is not readily available (Figure 1, left), cost estimators tend to rely upon analogies and parametric methods to produce their estimate. However, as we move toward the right, estimates tend to utilize more “data-hungry” methodologies such as engineering builds and projections using actual costs to date. It is also clear to the casual observer that as we move along the spectrum from left to right, we may expect our estimate to be more reliable and closer to the actual cost at project or acquisition completion.

The pre-Milestone A costing environment is particularly challenging. This is the stage in which information is often extremely scarce. Figure 2 illustrates the “sub-spectrum” of pre-Milestone A data availability.

Depending upon the situation, there may be one or more proposed solutions to a set of capability gaps before Milestone A. The solution could be a materiel system such as a vehicle or software package, or a non-materiel solution, such as a policy change or a training curriculum change. As one can see in Figure 2, the information regarding the proposed solution(s) could range from simply the desired capability expressed in very qualitative terms to a relatively detailed, well-developed concept with some technical platform specifications. The most commonly-occurring scenario, however, is nearer to the middle where there exists high-level capabilities information along with some very general solution information.

Since every cost estimate of an item or project must be based on some type of past experience, pre-Milestone-A cost estimating is no exception. How can we link the proposed solution to existing systems (our past experience) if we know only a particular solution’s general capability set? Can capabilities alone be used to produce a cost estimate? If so, could that cost estimate be used in decision-making with any degree of confidence?

Suppose we made the assumption that a system’s capabilities have a relationship to its cost. To the casual observer, this assumption seems rather logical. If we buy something that can do more, do it quicker, or do it better, then it should cost more. However, one can identify situations in which this assumption might not hold; if a particular computer technology is maturing at an accelerated rate, the cost to acquire that capability might not be correlated to the cost of acquiring a similar capability five years ago. Yet, even this example has a relationship between capability and cost upon closer inspection; to arrive at an acceptable cost estimate one must understand the rate of technology maturation (and this maturity information may or may not be available to the analyst). The question at hand, however, is whether or not capabilities can predict cost within some acceptable level of percentage error to provide decision makers with data that help prevent decisions that would yield negative future cost effects. In theory, these decisions can be avoided if a rough order of magnitude (ROM) estimate is available based on the proposed materiel solution’s set of capabilities.

The capabilities costing team at ODASA-CE is currently tackling the challenging pre-Milestone-A costing

environment. Our approach includes the use of a knowledge base that records current system cost information and capabilities. In fact, the Joint Capabilities Knowledge Base (CKB) is presently under construction. By using the relevant entities extracted from the CKB, a ROM cost estimate may be developed using a wide spectrum of techniques.

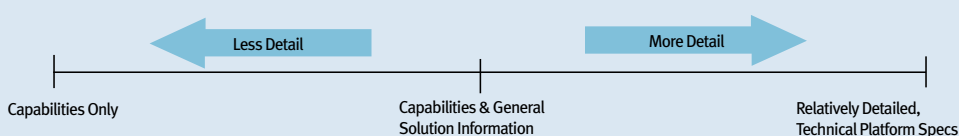
Numerous costing approaches are being examined and developed as this project evolves; one of which follows: Let us assume that the set of capabilities requiring a cost estimate is rank-ordered; in other words, we know which capabilities among the group are most critical, somewhat necessary, or only slightly needed. Depending on whether the entities (that will be extracted from the CKB) have exact or partial matches in capabilities, we can then apply an appropriate weighting factor for certain combinations of capability matches; exact matches would receive a higher weighting than partial matches, for example. Next, relevant entities are extracted from the knowledge base that can be used in our cost estimate. The assigned weightings are applied. If a particular system entity is deemed to be even more relevant to the solution being estimated, it may be further emphasized in a variety of ways.

Larger-scale case studies using realistic scenarios are under development to test the usefulness and strength of the methodology frameworks being considered, which include simplistic techniques like that described above to more intricate parametric and data mining approaches. It is important, however, to emphasize that cost estimates at this point in the life cycle are highly situation-specific, and thus methodologies under development are only recommended strategies. The analyst’s judgment is a key component.

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Figure 2: Spectrum of Information Availability at Milestone A



Key Comptroller Civilian Career Program

Results from the Army Civilian Attitude Survey for Fiscal Year 2005 and Fiscal Year 2003

by Ms. Wilett Bunton



The Army Civilian Attitude Survey is the Army's official attitude and opinion survey of the civilian workforce. The survey is voluntary and all Army civilian employees, supervisors, and managers are invited to participate in the survey process. The survey measures job satisfaction, workforce morale and many other key workforce issues.



The following synopsis provides key highlights of the Comptroller Civilian Career Program (CP11) responses for fiscal year 2005 and fiscal year 2003. The next Army Civilian Attitude Survey will be conducted in Fiscal Year 2007. A comparative analysis can not be performed because different questions were used in Fiscal Year 2003 and Fiscal Year 2005. In lieu of a comparative analysis. The most favorable and unfavorable responses are provided.

CP 11 Civilian Supervisors Ten Most Favorable Items

The three most favorable responses in Fiscal Year 2003:

- My job makes good use of my abilities: 87% favorable
- I find my work challenging: 85% favorable
- I feel free to go to my supervisor with questions or problems about my work: 83% favorable

The three most favorable responses in Fiscal Year 2005:

- I know how my work relates to the agency's goals and priorities: 94% favorable
- Managers/supervisors/team leaders work well with employees of different backgrounds: 88% favorable

- My performance standards/expectations directly related to my organization's mission: 87% favorable

CP 11 Civilian Supervisors Most Unfavorable Items

The three most unfavorable responses in Fiscal Year 2003:

- I am satisfied with the processes used to fill vacancies at this installation/activity: 31% unfavorable
- My supervisor provides me with career counseling: 30% unfavorable
- I would recommend that others pursue a career as a civilian with the Army: 28% unfavorable

The three most unfavorable responses in Fiscal Year 2005:

- I have the flexibility to use pay setting flexibilities: 66% unfavorable

- I have the flexibility to use retention incentives: 62% unfavorable
- I have the flexibility to use student loan repayments: 87% unfavorable

Comparative Analyses of Composite Labels

The Fiscal Year 2003 survey results were organized into fifteen composite labels. The Fiscal Year 2005 survey results were only organized into nine composite labels. A comparison of the composite labels for both surveys indicates 5 similar items. The results are:

- a. Satisfaction with Civilian Personnel: In Fiscal Year 2005 the favorable results decreased by 20%; unfavorable increased by 10% and neutral increased by 10%.
- b. Performance Culture: In Fiscal Year 2005 the favorable results decreased by 6%; unfavorable increased by 2% and neutral increased by 2%.
- c. Training and Development: In Fiscal Year 2005 the favorable results increased by 5%; unfavorable decreased by 3% and neutral decreased by 1%.
- d. Amount of Authority (similar label, not exact): In Fiscal Year 2005 the favorable results decreased by 37%; unfavorable increased by 45% and neutral decreased by 8%.
- e. Fairness: In Fiscal Year 2005 the favorable results decreased by 6%; unfavorable increased by 1% and neutral increased by 7%.

Significant Changes:

Performance Culture results were consistent with CP 11 Civilian Employee results.

CP 11 Civilian Employee Ten Most Favorable Items

The three most favorable responses in Fiscal Year 2003:

- My supervisor is competent in handling the technical parts of his/her job: 77% favorable

- I feel free to go to my supervisor with questions or problems about my work: 75% favorable
- My job makes good use of my abilities: 72%

The three most favorable responses in Fiscal Year 2005:

- I know how my work relates to the agency's goals and priorities: 85%
- Managers/supervisors/team leaders work well with employees of different backgrounds: 78%
- My performance appraisal is a fair reflection of my performance: 78%

CP 11 Civilian Employee Ten Most Unfavorable Items

The three most unfavorable responses in Fiscal Year 2003:

- When promotions are made at this installation/activity, the best-qualified people are selected: 41%
- I am satisfied with the processes used to fill vacancies at this installation/activity: 40% unfavorable
- Employees at this installation/activity are treated fairly with regard to job placements and promotions: 39%unfavorable

The three most unfavorable responses in Fiscal Year 2005:

- In my work unit, steps are taken to deal with a poor performer who cannot or will not improve: 50% unfavorable
- Personnel Services: Provides career counseling to employees: 49% unfavorable
- Overall, what type of impact do you think NSPS will have on personnel practices in the DoD: 44% unfavorable

Comparative Analyses of Composite Labels

The Fiscal Year 2003 survey results were organized into eighteen composite labels. The Fiscal Year 2005 survey results were only organized into seven composite labels. A comparison of the composite labels for both surveys indicates 5 similar items. The results are:

- a. Satisfaction with Civilian Personnel: In FY05 the favorable results decreased by 14%; unfavorable increased by 8% and neutral increased by 4%.
- b. Performance Culture: In Fiscal Year 2005 the favorable results decreased by 6%; unfavorable increased by 2% and neutral increased by 4%.
- c. Training and Development: In Fiscal Year 2005 the favorable results increased by 2%; unfavorable decreased by 1% and neutral decreased by 1%.
- d. Leadership and Management (similar label, not exact): In Fiscal Year 2005 the favorable results increased by 10%; unfavorable decreased by 8% and neutral decreased by 3%.
- e. Fairness: In Fiscal Year 2005 the favorable results decreased by 6%; unfavorable increased by 4% and neutral increased by 3%.

Significant Changes:

Performance Culture results were consistent with CP 11 Civilian Supervisor results.

About the Author

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